

Annex: Reasons for direction and determination under Special Licence Condition G – Western Power Distribution (South Wales) plc

1. Introduction

1.1 This document sets out the reasons for the direction under Special Licence condition G (“the Condition”) of a licence (“the Licence”) treated as granted to Western Power Distribution (South Wales) Plc (“WPD South Wales”) under section 6(1)(c) of the Electricity Act 1989. The direction adjusts WPD South Wales’ 2001/2 performance for the number and duration of interruptions. The document also contains an explanation of the determination of WPD South Wales’ interim targets.

1.2 The structure of the rest of this document is as follows:

- Section 2 sets out the reasons for the direction under paragraph 8 of the Condition to adjust WPD South Wales’ 2001/2 reported performance for inaccuracy;
- Section 3 sets out an explanation of the determination under paragraph 7 of the Condition to define WPD South Wales’ interim targets;
- the Appendix includes the revised version of Annex A of the Condition incorporating all of the adjustments.

2. Reasons for direction under paragraph 8 of the Condition – Adjusting 2001/2 performance data for inaccuracy

Examiners report

2.1 The Authority appointed Mott MacDonald and British Power International (together known as “the examiner”) to provide an audit opinion on the rebasing of IIP targets for certain electricity distribution companies. The examiner’s report¹ shows that WPD South Wales’ data for the number of interruptions is below the minimum overall and LV levels of accuracy specified in the RIGs due to over-reporting at HV and under-reporting at LV and below the minimum LV accuracy level for the duration of interruptions due to under-reporting. Under paragraph 8 of the Condition the Authority may therefore, in accordance with the provisions of that paragraph, make adjustments to WPD South Wales’ data to mitigate against the effects of this inaccuracy.

¹ “Information and Incentives Project – Audit of incident reporting for 2001/2 – Appendix M Western Power Distribution (WPD) South Wales plc”, Mott-MacDonald and British Power International, February 2003

Additional information submitted by WPD South Wales

2.2 WPD South Wales did not submit any additional information to the Authority regarding the accuracy of its 2001/2 reported performance.

Authority's draft direction

2.3 The Authority has considered the evidence contained in the examiner's report and other relevant circumstances. In the light of these, and of its principal objectives and general duties, the Authority considers that it is appropriate to exercise its powers under paragraph 8 of the Condition and make adjustments to WPD South Wales' data for the number and duration of interruptions on the accuracy figures set out in Table A-1 of the examiner's report.

2.4 The Authority therefore proposes the following adjustments to WPD South Wales' performance data, calculated in Table 2.1 below.

Table 2.1: Adjustments to 2001/2 performance data for inaccuracy

	Disaggregated reported performance figures for 2001/02		Estimated % change due to inaccuracy		Adjusted disaggregated performance figures for 2001/02	
	CI	CML	CI	CML	CI	CML
HV & above	122.43	80.92	-6.58%		114.38	80.92
LV	5.89	9.59	6.50%	12.89%	6.27	10.83
NGC or other transmission co	0.00	0.00	-6.58%		0.00	0.00
Embedded generators	0.00	0.00	-6.58%		0.00	0.00
Other connected systems	0.08	0.02	-6.58%		0.07	0.02
Total unweighted CI/CML	128.40	90.53	-5.98%	1.37%	120.73	91.77
Total weighted CIIS/CMLIS	128.32	90.51	-5.98%	1.37%	120.65	91.75

- CIIS for the year commencing 1 April 2001 should be adjusted downwards by 5.98% from 128.32 to 120.65
- CMLIS for the year commencing 1 April 2001 should be adjusted upwards by 1.37% from 90.51 to 91.75

2.5 In reaching its decision the Authority took into account the fact that WPD South Wales' 2001/2 reporting was partially based on old measurement systems and therefore that special considerations applied. In future years with the new measurement systems in place, it may be appropriate to use an alternative approach to calculating adjustments for inaccuracy. The new measurement systems provide connectivity down to the LV feeder level and therefore provide much more robust information on the number of customers affected by faults at each voltage level.

DNO response to paragraph 10A consultation

2.6 WPD South-Wales made no comments on the draft direction.

Authority's final direction

- 2.7 The Authority is therefore satisfied that the adjustments set out in the draft direction are appropriate.

3. Explanation of the determination under paragraph 7 of the Condition

- 3.1 Under the mechanism set out in paragraph 7 of the Condition the (interim) targets TA_t and TB_t for the years 2002/3 and 2003/4 will be the higher of:

- $CIIS_t$ and $CMLIS_t$ respectively for the year 2001/2 adjusted for inaccuracy; and
- TA_t and TB_t respectively for 2004/5 set out in Annex A of the Condition.

- 3.2 Given the direction under paragraph 8 of the Condition:

- TA_t for the years commencing 1 April 2002 and 2003 are determined as being 152.8.
- TB_t for the years commencing 1 April 2002 and 2003 are determined as being 129.2.

Appendix – Further Information

Revised Annex A

Relevant year Commencing:	1 April 2002	1 April 2003	1 April 2004
TA _t	152.8	152.8	152.8
IRA _t (£ million 2000/01 prices)	0.01	0.03	0.03
RLA _t	0.25	0.5	0.5
RLOPA			0.6
TB _t	129.2	129.2	129.2
IRB _t (£ million 2000/01 prices)	0.02	0.05	0.05
RLB _t	0.5	1.25	1.25
RLOPB			1.4
RLD _t	0.1	0.125	0.125